

TABLE OF CONTENTS

CHAPTER 10: PROGRAM MONITORING	10-1
I. <u>OVERVIEW</u>	10-1
II. <u>PURPOSE OF MONITORING</u>	10-1
A. MONITORING PRIOR TO PROGRAM CLOSEOUT	10-1
1. Monitoring Visits	10-1
2. Monitoring Comments	10-2
3. HUD Monitoring	10-3
B. MONITORING DURING PERIOD OF AFFORDABILITY	10-3
C. MONITORING PROGRAM INCOME AND CHDO PROCEEDS	10-4
D. ONSITE VISITS	10-5
E. EXHIBITS	10-7

CHAPTER 10

PROGRAM MONITORING

I. OVERVIEW

Grantees participating in Montana's Home Investment Partnerships Program (HOME) are responsible for administering their HOME projects in accordance with all applicable federal and state statutory and regulatory requirements. MDOC's responsibility is to ensure grantees are managing their projects in accordance with these requirements and to ensure that assisted housing units remain affordable to low- and very low-income persons throughout the period of affordability.

II. PURPOSE OF MONITORING

MDOC uses program monitoring as the primary method for determining whether a project is compliant with state and federal HOME requirements. It is our goal to assist and support grantees in complying with applicable state and federal requirements, successfully implementing their project activities from start-up through closeout, and monitoring throughout the period of affordability. Each grantee, their subrecipients and/or contractor receiving HOME funds will be reviewed through written progress reports and annual on-site visits by HOME staff, so any problems that might occur can be resolved as quickly and early as possible.

Grantees must maintain complete program and project files to comply with HOME reporting requirements. Grantees should review their MDOC HOME contract for information on record requirements and retention periods. The grantee must give representatives of MDOC and HUD reasonable access (during normal business hours) to all books, accounts, records, reports and files pertaining to HOME-funded activities. Grantees must also provide all citizens reasonable access to non-confidential records regarding the use of HOME funds.

A. **MONITORING PRIOR TO PROGRAM CLOSEOUT**

1. Monitoring Visits. In addition to reviewing the *Project Progress Report* submitted with the *Request for Payment* of HOME funds, the HOME Program Officer will schedule an annual on-site monitoring visit with each grantee and their subrecipients. On-site monitoring is a structured review conducted at the location(s) of the project activities, and at the location(s) where program and project records are maintained. The three monitoring goals are to:

- Ensure production and accountability
- Ensure compliance with HOME and other Federal requirements; and
- Evaluate organizational and project performance

HOME staff uses a formal monitoring guide, covering key requirements discussed in this manual as the format for their review of local projects. A copy of the HOME *Program Monitoring Guide* is found in **Exhibit 10-A**.

Before a monitoring visit, the HOME Program Officer will contact the Program Manager concerning the timing and scope of the monitoring visit. Monitoring visits usually involve a two day visit with the Grantee to address both program-wide and project-specific issues, and meet with the Program Manager and local officials. Each monitoring visit normally includes an entrance and an exit conference. The entrance conference will outline the scope of the monitoring visit. The exit conference provides an opportunity to meet with the Program Manager, Financial Manager and other local officials to review any outstanding issues, both positive and negative, identified during the site visit.

As part of this review, the HOME Program Officer will describe preliminary conclusions and issues. By thoroughly discussing a potential problem, the HOME Program Officer is able to determine if there is a reasonable explanation for a particular circumstance or question and whether the problem can easily be resolved. Since the overall goal of the HOME Program Officer is to assist grantees in complying with the law and achieving timely and effective grant management, every effort will be made to informally resolve any minor monitoring concerns during the monitoring visit.

2. Monitoring Comments. Following the monitoring visit, the HOME Program Officer will provide written monitoring comments to the grantee. The monitoring letter will contain the following general elements:

- The name of the HOME Program Officer conducting the review, the date of the review, and those present during the review.
- A brief description of each major topic covered during the visit, the statutory or regulatory requirement affecting that topic, and an explanation of the documentation and records examined pertinent to these requirements.
- The status of the conclusion the reviewer has reached; i.e., "satisfactory performance," a "concern," a "question of performance", or a "finding" regarding the above documentation (see definitions below).
- A statement describing the basis for each conclusion.

There are four levels to any "conclusion" that may be assigned to a particular issue:

- a) **Satisfactory Performance:** All documentation reviewed was found to be satisfactory with regard to all statutory and regulatory requirements.
- b) **Concern:** An issue that does not involve a statutory or regulatory requirement is discovered, but does involve recommending a management or

program improvement, it is considered a "concern". A modification of an administrative procedure or policy may be suggested, but is not required. No response by local officials is required.

- c) **Question of Performance:** A question regarding whether a violation of a statutory or regulatory requirement has occurred is raised. An informal discussion to review results with local officials is conducted to determine if a violation has occurred. If the matter cannot be resolved during the exit conference, and there is still an unresolved "question of performance," a request will be made that additional information be provided within a 30-day time period. Review of the additional information will enable HOME staff to determine whether a violation has occurred. A final determination regarding the issue under question will be made, in writing, within 30 days of the Grantee's response.
- d) **Finding:** A specific, identifiable violation of a statutory or regulatory requirement about which there is no question is revealed. A written response regarding the grantee's proposed actions to correct the situation is required within 30 days of the date of the HOME Program Officer's monitoring letter.

Corrective actions will be designed to:

- Prevent a continuance of the violation;
- Mitigate any adverse effects or consequences of the violation to the extent possible under the circumstances; and,
- Prevent a recurrence of the same or a similar violation.

There may be a number of acceptable solutions for resolving a violation. The grantee may respond to each problem with any reasonable and adequate solution of its choice. The Montana Department of Commerce will determine the adequacy of a corrective action. At all times, the MDOC HOME staff will offer any necessary technical assistance to grantees to avoid or resolve any monitoring findings.

- 3. HUD Monitoring. In most cases, only MDOC HOME staff will monitor the grantee's project. However, HUD personnel may closely monitor project records each year in order for HUD to determine whether the State and its grantees comply with federal requirements. HUD staff also has the authority to visit any local HOME projects to spot check compliance with federal HOME regulations.

B. MONITORING DURING THE PERIOD OF AFFORDABILITY

The grantee is responsible for monitoring all projects assisted with HOME funds under their program throughout the appropriate period of affordability. They must ensure that project owners are complying with all applicable state and federal regulations. Grantees will be

responsible for taking appropriate actions when performance problems arise. The HOME Program staff is always available to provide technical assistance. Applicable periods of affordability are as follow:

Type of Activity	Period of Affordability
New construction	20 years
Rental Rehabilitation and Homebuyer Assistance	Under \$15,000 per unit: 5 years
	\$15,000 - \$40,000 per unit: 10 years
	Over \$40,000 per unit: 15 years
TBRA and Homeowner Rehabilitation	No required period of affordability

There are no ongoing monitoring requirements for Tenant Based Rental Assistance and Homeowner Rehabilitation projects unless there is the potential to generate program income, in which case there will be quarterly reporting required.

Homebuyer and rental projects will be monitored for long-term affordability. Annual certifications are completed for both types of projects. HOME staff distributes a certification for grantees to sign and the appropriate form for the grantee to complete (**Exhibit 10B-1**).

Grantees with homebuyer projects must certify whether or not any homes have been sold since the previous certification and whether or not the owner continues to use the home as his/her principal residence. If there has been a change in ownership of the property, the grantee must certify the proper Resale or Recapture provisions have been met. A detailed discussion of Resale and Recapture is in **Chapter 7, PROJECT ACTIVITIES: Homebuyer Assistance**. **Exhibit 10B-2** is used to document this information.

Grantees must review the activities of the owners of the rental housing projects assisted with HOME funds to ensure they are complying with the affordability criteria. They must document the incomes of tenants and the rents charged for each unit on **Exhibit 10B-3**. Multi-family rental projects also require an annual on-site inspection to determine compliance with housing codes. See **Exhibit 10-C** for an Inspection Checklist, which follows HUD Housing Quality Standards (HQS).

If the information submitted on the certification is incomplete or needs clarification, the HOME Program Officer will contact the grantee.

C. MONITORING PROGRAM INCOME AND CHDO PROCEEDS

All program income and CHDO proceeds must be spent in accordance with the grantee's previously approved Program Income or CHDO Proceeds Plan, and in accordance with all applicable state and federal regulations. As mentioned previously, grantees should review the MDOC HOME contract for information on record requirements and retention periods.

The Program Income or CHDO Proceeds Plan, incorporated into the grantee Management Plan specifies the allowable uses of these funds. Any findings of noncompliance with respect to program income or CHDO proceeds expenditures may be considered an

"unsatisfactory performance" by the grantee, and will be considered in any future grant request by the grantee. See **Chapter 9, Program Closeout** for details regarding program income and CHDO proceeds.

D. ON-SITE VISITS

HUD requires MDOC to conduct on-site inspections of HOME-assisted multi-family rental housing throughout the period of affordability. The frequency of visits depends on the total number of project units (including non-HOME units), as shown below:

1-4 units	every three years
5-25 units	every two years
26 or more units	every year

The purpose of these visits is to ensure the facility continues to provide safe, decent and affordable housing. Specifically, a HOME Program Officer will examine:

- physical condition of the rental units,
- the HQS inspection documentation to ensure it is current and complete,
- the income certification documentation to ensure tenant income levels meet HOME income limits and requirements,
- the leases to ensure they are current and do not contain prohibited clauses, and
- the rent calculations to ensure the correct rent is charged and is in compliance with HOME rent limits.

The *HOME Program Onsite Guide*, **Exhibit 10-D**, is completed during onsite visits. The grantee will receive a completed copy of the *Guide* with a letter explaining findings of the visit. Grantees must remain in compliance with the above bulleted items during the entire period of affordability. If a project is out of compliance, or is found to have issues or concerns, the grantee will receive a formal letter outlining the problems and a repeat on-site visit will be held. Grantees are encouraged to maintain their projects to keep them in compliance with HOME requirements.

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CHAPTER 10

EXHIBITS

- 10-A
 - 1. HOME Monitoring Guide / Program-Wide Requirements
 - 2. HOME Monitoring Guide / Labor Standards
 - 3. HOME Monitoring Guide / Relocation
 - 4. HOME Monitoring Guide / Homeowner Rehabilitation
 - 5. HOME Monitoring Guide / Rental Projects
 - 6. HOME Monitoring Guide / Rental Projects
 - 7. HOME Monitoring Guide / Homebuyer Assistance
 - 8. HOME Monitoring Guide / Tenant-Based Rental Assistance (TBRA)
- 10-B
 - 1. Certificate for Annual Certification of Income and Affordability Monitoring
 - 2. Annual Certification for Homebuyer Assistance Projects
 - 3. Annual Certification for Rental Housing
- 10-C HUD Housing Quality Standards (HQS) Inspection Checklist
- 10-D HOME Program Onsite Guide